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New Zealand

Kiwifruit

Crop Increase Forecast

2007

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Report Highlights:

New Zealand's kiwifruit harvest for 2007 is forecast to increase 13 percent to 374,000 tons. Exports are forecast to increase 15 percent to 355,000 tons. Zespri is planning to issue more licenses to grow its proprietary Gold kiwifruit in New Zealand and continues to issue licenses to overseas grower-suppliers. Zespri kiwifruit generally receives a price premium above other kiwifruit in its markets. This is achieved through a number of initiatives, including extensive marketing, stringent quality controls and year round kiwifruit supply. There are a number of issues currently facing New Zealand's kiwifruit industry, particularly labor shortages and food miles.

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SECTION I. SITUATION AND OUTLOOK

New Zealand's kiwifruit harvest for 2007 is forecast to increase 13 percent to 374,000 tons. Exports are forecast to increase 15 percent to 355,000 tons due to an expected 13 percent increase in production of green kiwifruit and a 15 percent increase in Zespri's proprietary Gold kiwifruit. Fruit size is expected to be smaller on average than the previous year, due to a cooler spring and adverse weather conditions affecting pollination. Overall, growing conditions have been good for kiwifruit, although some orchards did experience light hail and frosts during fruit growth.

The kiwifruit harvest for 2006 was 330,000 tons, similar to that of 2005. Exports remained the same at 310,000 tons. These numbers are both increases over Post's earlier forecasts. During the season Zespri rejected 10 percent of fruit destined for export¹, which is much larger than the average of between 3 and 4 percent. The losses in 2006 are valued between U.S. \$45 and \$65 million. Profitability was also negatively affected by fruit sizes that didn't match customer demands, with a surplus of larger sized fruit. Returns to growers were further negatively impacted due to the continuing strength of New Zealand's dollar against the currencies of its major trading partners.

New Zealand Kiwifruit Growers Incorporated conducted a review into the high fruit losses and concluded that there were a number of complex issues that caused this result. The report states that the majority of losses occurred at pack houses, with many having difficulty in dealing with larger than normal fruit returns, maintaining temperature and atmosphere controls, and managing understaffing and high staff turnover. Factors such as a slightly later than normal harvest due to weather conditions and growers attempting to maximize fruit dry matter content (often harvesting fruit after optimal harvest maturity), as well as more rigorous testing by Zespri at the wharf, contributed to fruit management difficulties for pack house operators. Fruit quality at harvest was good, with weather having a minimal impact on fruit quality.

The majority of New Zealand's kiwifruit harvest occurs during April and May, with exports normally completed by the end of December. Fruit sold at either end of the selling season earns a price premium. Zespri is legislated as the sole New Zealand kiwifruit exporter, with the exception of exports to the Australian market. Zespri is the main exporter to Australia, while it has a minor presence in New Zealand's domestic kiwifruit market. The company is grower owned and does not receive financial assistance from the New Zealand Government. Its monopoly on export markets (with the exception of Australia) causes many to view Zespri as a State Trading Enterprise, despite not receiving any government funding. Zespri currently accounts for between 23 and 25 percent of world kiwifruit trade. New Zealand was the world's second largest exporter of kiwifruit behind Italy in 2006, although this varies each year depending on the relative season of the two countries².

Zespri kiwifruit generally receives a price premium above other kiwifruit in its markets. This is achieved through a number of initiatives, including extensive marketing, stringent quality controls and year round kiwifruit supply. Zespri spends over U.S. \$40 million on average on promotional expenditure. The company sources both green kiwifruit and its proprietary Gold kiwifruit (grown under license) from growers in California, Italy, Japan and other countries to ensure it can supply customers year round. In 2006 Zespri had over 1,100 ha of licensed Gold plantings outside New Zealand, including 210 ha in the United States. Zespri is planning to continue increasing the percentage of the kiwifruit it sells that is sourced outside of New Zealand. In 2006 this stood at just under 5 percent of Zespri's total sales volumes.

¹ This fruit was not included in the production figure as it was destroyed instead of being sold

² See the graph on page 4

Zespri has ended its moratorium on plantings of its proprietary Gold variety of kiwifruit in New Zealand. The moratorium was put in place as part of Zespri's strategy to maintain price levels by controlling supply volumes. Prices continue to increase and Zespri is confident that the market can absorb more fruit, while maintaining strong prices. It is planning to plant 600 hectares over three years, beginning with 200 hectares of new plantings in mid-2007. The right to plant the Gold variety will be allocated through a commercial tender process. Zespri maintains exclusive rights to its Gold variety in New Zealand until the plant variety rights expire in 2018. The plant variety rights for Gold expire for Zespri in other countries at about this time as well. Zespri currently has 1,982 ha of vines producing Gold kiwifruit in New Zealand and 1,100 ha of licensed Gold plantings internationally. Zespri is looking to continue increasing its international plantings as well, with the aim to meet its targeted area of international Gold plantings by 2009.

A major issue facing New Zealand's kiwifruit and other horticultural industries are shortages of labor. The kiwifruit industry has been working with the New Zealand Government to minimize the potential for disruptions due to labor shortages. For example New Zealand Kiwifruit Growers, the industry body representing growers, is hosting 400 Pacific Island workers under a government scheme. Horticulture New Zealand is also assisting kiwifruit growers as part of its wider scheme to assist growers of all crops it represents.

An issue affecting all New Zealand food exporters is food miles. According to the New Zealand Government and media sources, food miles is a concept that is gaining strength in Europe. Proponents of food miles argue that European consumers should not purchase food products from countries such as New Zealand because of the energy and carbon dioxide emissions associated with transporting food over a large distance. Instead, proponents recommend that consumers purchase locally grown produce. A study by Lincoln University in New Zealand found the arguments made by food miles proponents misleading. The study found that the energy used in producing and transporting a New Zealand food product is, in most cases, less than that of its UK counterpart, by the time it reaches point of sale in the UK. The study assessed the energy used in producing and transporting onions, apples, lamb, and dairy products to the UK. In the case of apples, the energy used by the time apples reach the point of sale in the UK is less for New Zealand apples than UK produced apples. In the case of lamb, New Zealand lamb uses a quarter of the energy of UK produced lamb. International media have reported that New Zealand kiwifruit is air freighted to the UK, when all kiwifruit is instead transported by ship, which is highly efficient per kilogram of fruit exported.

The Lincoln researchers claim that the food miles concept is too simplistic to assess environmental impact, as it does not take into account the total energy used in producing and transporting food products. The New Zealand Government has moved rapidly to refute some claims made by proponents of food miles, expressing concern that environmental barriers, such as food miles, may be used as non-tariff barriers against New Zealand imports in some countries in the future. Many analysts state that campaigns such as food miles further emphasize the need for New Zealand to be able to show that its farming practices are environmentally friendly and sustainable.

Data included in this report is not official USDA data. Official USDA data is available at <http://www.fas.usda.gov/psd>.

SECTION II. STATISTICAL TABLES

New Zealand Kiwifruit									
	(HA)(MT)								
	2005 Revised			2006 Estimate			2007 Forecast		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin	01/2005 01/2005			01/2006 01/2006			01/2007 01/2007		
Total Area Planted	0	11550	0	0	11500	11700	0	0	12000
Area Harvested	0	10950	0	0	11000	11460	0	0	11600
Total Production	0	329000	0	0	309000	330000	0	0	374000
Imports	0	1000	0	0	1000	1000	0	0	1000
Total Supply	0	330000	0	0	310000	331000	0	0	375000
Exports	0	310000	0	0	290000	310000	0	0	355000
Domestic Consumption	0	20000	0	0	20000	21000	0	0	20000
Total Distribution	0	330000	0	0	310000	331000	0	0	375000

Source: Statistics New Zealand, FAS/Wellington estimates.

Note: The 2006 production figure does not include kiwifruit that was harvested, but later destroyed due to not meeting quality requirements, as it was not made available for sale to consumers. Data included in this report is not official USDA data; official USDA data is available at <http://www.fas.usda.gov/psd>.

New Zealand Kiwifruit Exports (Tons)			
	2004	2005	2006
EU	169,214	174,203	169,603
Japan	56,434	55,778	54,815
South Korea	18,476	18,858	20,831
Australia	13,852	16,630	14,915
Taiwan	11,141	15,293	14,088
United States	13,857	13,626	12,595
Hong Kong	4,233	5,070	6,603
China	2,503	3,992	5,869
Other	8,085	9,095	10,807
Total	297,795	312,545	310,126

